

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2016 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation (U 39 E).

Application 15-06-001
(Filed June 1, 2015)

SONOMA CLEAN POWER OPENING BRIEF

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OPENING BRIEF OF SONOMA CLEAN POWER

I. INTRODUCTION

Sonoma Clean Power (SCP) is a public agency that operates a voluntary Community Choice Aggregation (CCA) program for electricity customers living in Sonoma County. SCP is one of two currently operational CCA programs serving customers within the Pacific Gas and Electric Company (PG&E) service territory; Marin Clean Energy (MCE) is the other.¹ As discussed in SCP's testimony filed in this docket, SCP's CCA program provides electricity customers the opportunity to join together to procure electricity from competitive suppliers.² It provides customers with stable and competitive electric rates, supports Sonoma County's economy by providing local jobs, and reduces greenhouse gas emissions related to the use of power in Sonoma County.

As indicated in SCP's protest and testimony in this proceeding, SCP's interest in PG&E's Energy Resource Recovery Account (ERRA) application is to ensure the reasonableness of

¹ Ex. SCP-1 at 1 (Testimony of Debra Emerson on Behalf of Sonoma Clean Power); Ex. MCE-1 at 1 (Testimony of Marin Clean Energy on the Anti-Competitive Impacts of Pacific Gas and Electric Company's Application for 2016 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast Towards community Choice Aggregators and Their Customers).

² Ex. SCP-1 at 1.

PG&E's proposed revenue requirement for CCA customers, in particular CCA residential customers, and PG&E's calculation of the Power Charge Indifference Adjustment (PCIA) and the Cost Allocation Mechanism (CAM).³ As discussed further below, SCP has significant concerns regarding the methodologies used to calculate the PCIA and CAM. Although PG&E appears to have applied them accurately, the substantial, detrimental impact of the resulting charges on CCA customers warrants reevaluation of the underlying methodologies. SCP urges the Commission to acknowledge the need for such a reexamination in its final decision in this proceeding and to commit to conducting this reexamination in a separate proceeding or proceedings within the next year.

II. PROCEDURAL BACKGROUND

On June 1, 2015, PG&E filed an application for Adoption of Electric Revenue Requirements and Rates Associated with its 2016 ERRRA and Generation Non-Bypassable Charges Forecast (Application). SCP filed a protest to the Application on June 30, 2015. A Prehearing Conference was held on July 28, 2015. The Assigned Commissioner issued a Scoping Memo and Ruling on August 5, 2015, adopting a scope and schedule, confirming this proceeding's categorization as ratesetting, and requiring evidentiary hearings, however the Administrative Law Judge (ALJ) cancelled the hearings via an email ruling on September 9, 2015, since no party believed that cross-examination was necessary. Pursuant to the schedule adopted in the Scoping Memo and reiterated in the ALJ's September 9 email ruling, SCP hereby submits this opening brief. SCP follows the common briefing outline developed by PG&E in conjunction with the other parties in this docket. While SCP does not include content under certain headers in this opening brief, SCP reserves the right to respond to all information

³ Ex. SCP-1 at 2; Protest of Sonoma Clean Power to PG&E's Energy Resource Recovery Account Application at 2 (June 30, 2015).

provided by other parties in its reply brief.

III. SHOULD THE COMMISSION ADOPT PG&E'S ERRR FORECAST REQUESTS FOR 2016

Without taking a position on the Commission's adoption of PG&E's ERRR forecast requests for 2016, SCP urges the Commission to recognize the need for a reevaluation of the methodologies for calculating the PCIA and CAM, and to commit to such a reevaluation within the coming year, for the reasons explained below.

A. ERRR Forecast Revenue Requirement

B. Ongoing Competition Transition Charge (CTC) Forecast Revenue Requirement

C. Power Charge Indifference Amount (PCIA) Forecast Revenue Requirement

In its application, PG&E proposes a significant increase to the PCIA revenue requirement. Specifically, PG&E proposes a PCIA revenue requirement of \$118.7 million, a 94 percent increase over its approved PCIA revenue requirement for 2015 of \$61.1 million.⁴ As discussed below in Section III.G, this substantial increase to the PCIA revenue requirement is reflected in a substantial increase in the PCIA charge that PG&E levies on CCA customers, which will contribute to a significant rate shock for CCA customers. Given this major change to CCA customers' rates, SCP requests that the Commission reevaluate the underlying methodology associated with the PCIA to ensure it is fair and appropriate, as discussed further in Section V.

D. Cost Allocation Mechanism (CAM) Revenue Requirement

Likewise PG&E proposes a significant CAM revenue requirement of \$188.3 million.⁵ The combination of the CAM with the PCIA increases the negative impacts on CCA customers. As with the methodology underlying the PCIA, SCP urges the Commission to reexamine the

⁴ PG&E Application at 6-7; D.14-12-053, Conclusion of Law 1, at p. 20.

⁵ PG&E Application at 6-7.

CAM methodology to ensure it is fair and appropriate, as discussed further in Section V.

E. Electric Sales Forecast

F. Net Forecast Greenhouse Gas (GHG) Revenue Return Amount

G. Rate Proposals Associated With Its Proposed Total Electric Procurement-related Revenue Requirements

As a result of its substantial increase to its PCIA revenue requirement, discussed above, PG&E proposes to reduce bundled customer's rates by 2.7 percent, while significantly increasing CCA customers' rates by 6.9 percent and CCA residential customers' rates by 14.4 percent.⁶ This increase will come as a significant rate shock for SCP customers, especially its residential customers, who are among the most price-sensitive.⁷ In addition, CARE-eligible CCA customers, an even more price-sensitive group, are also exposed to the full cost and volatility of the PCIA charges levied by PG&E.⁸ The incorporation of CAM charges associated with the CAM revenue requirement exacerbate this rate shock and further harm vulnerable CCA customers. As discussed further in Section V, SCP urges the Commission to reevaluate the methodologies associated with both the PCIA and the CAM in light of these negative effects on CCA customers, and in the interest of ensuring fairness between bundled and unbundled CCA customers.

IV. THE REASONABLENESS OF PG&E'S RECORDED 2014 ADMINISTRATIVE AND OUTREACH EXPENSES FOR GHG

V. WHETHER ALL CALCULATIONS, INCLUDING BUT NOT LIMITED TO THE CALCULATION OF THE ERR, ONGOING CTC, PCIA, CAM, GHG, NON-BYPASSABLE CHARGES, ERR UNDER-COLLECTION, PROCUREMENT COSTS, VINTAGING, ARE IN COMPLIANCE WITH ALL APPLICABLE RESOLUTIONS, RULINGS, AND DECISIONS FOR ALL CUSTOMER TYPES

SCP does not dispute PG&E's application of Commission-approved methodologies to calculate the PCIA and CAM, and takes no position on its other calculations. However, SCP has

⁶ Ex. SCP-1 at 2.

⁷ See Ex. SCP-1 at 2; Ex. MCE-1 at 3.

⁸ See Ex. MCE-1 at 6.

significant concerns with the impact of the increased PCIA and CAM charges on CCA customers, and suggests that this detrimental customer impact should motivate the Commission to reevaluate the methodologies under which these charges are set.

The PCIA is intended to reflect the above-market portion of new generation resource costs and to ensure that departing load customers pay those costs appropriately by vintage year.⁹ The CAM is intended to reflect the costs of certain combined heat and power equipment and Commission-mandated investments that are “necessary” to maintain system and local reliability.¹⁰ In both cases, SCP believes the Commission should reexamine the methodologies that identify and monetize the costs associated with resources covered by the PCIA and CAM, and ensure that only costs that can fairly be applied to CCA customers are reflected in the resulting charges.¹¹

The Commission has previously committed to ensuring that cost allocation and departing load charge methodologies remain fair.¹² The Commission also indicated that “changed circumstances or additional information” may warrant a reexamination of fee structures and cost allocation.¹³ For example, with SCP and other CCAs engaging in significant long-term procurement, the assumptions built into the CAM calculations are no longer necessarily appropriate.¹⁴ The proposed increase to the PCIA alone will result in charge on customers’ bills that are highest they have been since the last significant revisions to the PCIA methodology and

⁹ Ex. SCP-1 at 3.

¹⁰ Ex. SCP-1 at 3-4.

¹¹ See Ex. SCP-1 at 3-5.

¹² D.13-08-023 at 17 (“The Commission remains committed to ensuring that Community Choice Aggregators and other non-utility LSEs may compete on a fair and equal basis with regulated utilities. Toward this end, we will continue to consider both the mechanics and overall fairness of cost allocation and departing load charge methodologies proposed in the future, with the specific goal of avoiding cross-subsidization.”); *see also* Ex. MCE-1 at 8-10 (describing in more detail how the PICA harms CCA programs’ competitive advantage and the Commission’s role in ensuring that fair competition is upheld).

¹³ D.13-08-023 at 14.

¹⁴ See Ex. SCP-1 at 3-5.

policy, implemented in December 2011.¹⁵ The Commission spent over a year deliberating over changes to residential rates in Rulemaking (R.) 12-06-013, including an increase in residential customers' monthly minimum bill of approximately \$5.40, which is comparable in magnitude to the impact of the increased PCIA to residential CCA customers.¹⁶ The combined, significant impacts of the PCIA and the CAM warrant similar, careful evaluation.

As indicated in our testimony, SCP is aware of one current but limited opportunity to address these concerns in another docket, specifically A.14-05-024, however a broader reexamination of PCIA and CAM methodologies is necessary.¹⁷ Although SCP recognizes that the instant proceeding may not be the appropriate forum, SCP recommends that the Commission acknowledge the need to reevaluate the methodologies given their negative effects on CCA customers in its final decision in this proceeding. In addition, SCP requests that the Commission indicate its intent to do so in a separate proceeding or proceedings within the next year. In line with a prior Commission recommendation, SCP recognizes that a workshop held by Energy Division staff regarding the PCIA and CAM may be a useful first step toward identifying in more detail the changed circumstances affecting the PCIA and CAM methodologies, and setting forth a process for reevaluating them.¹⁸

VI. THE NOVEMBER UPDATE

VII. SAFETY ISSUES

VIII. PG&E'S PROPOSED IMPOSITION OF THE NEW SYSTEM GENERATION CHARGE ON INCREMENTAL TRANSFERRED MUNICIPAL DEPARTING LOAD

¹⁵ Ex. MCE-1 at 2 (referring to D.11-12-018).

¹⁶ See Ex. MCE-1 at 5.

¹⁷ Ex. SCP-1 at 4-5.

¹⁸ See D.13-08-023 at 17 ("If appropriate, Energy Division staff may hold a workshop to develop a process for addressing any specific departing load charges or other fee mechanisms that may benefit from review due to significant changes in circumstances since the charge's development.").

IX. CONCLUSION

If the Commission approves PG&E's PCIA and CAM revenue requirements and associated charges as proposed, CCA customers, in particular residential customers, will suffer a substantial rate shock. SCP urges the Commission to recognize these negative customer impacts in its final decision in this proceeding. In addition, SCP requests that the Commission commit to reexamining the underlying PCIA and CAM methodologies in a separate proceeding or proceedings in order to address their detrimental effects on CCA customers.

Respectfully submitted,

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